MOTION PICTURE ASSOCIATION OF AMERICA

Submitted Testimony of Vans Stevenson
Senior Vice President, State Government Affairs

Before the Finance, Revenue and Bonding Committee

<u>In Opposition to SB No. 946, An Act Concerning Revenue Items to Implement the Governor's Budget</u>

State Capitol
Hartford, CT

Monday, March 9, 2015

Chairmen Fonfara and Berger, and members of the Finance, Revenue and Bonding Committee, my name is Vans Stevenson, Senior Vice President, State Government Affairs at the Motion Picture Association of America, Inc (MPAA).

I am submitting testimony in opposition to certain provisions of SB No. 946 on behalf of the MPAA, its Chairman and CEO Chris Dodd and our member companies, which include The Walt Disney Company, Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Twentieth Century Fox Film Corporation, Universal Studios LLLP, Warner Bros., and our affiliated member company CBS Corporation.

I appreciate the opportunity to share our serious concerns regarding the proposed limitations in SB No. 946, which would significantly impact the state's successful production incentive program.

The three-year tiered caps proposed in Section 19 placed on corporations' utilization of credits to offset their tax liability means our member companies' would not be able to stay within the budget of television and digital animation productions that are made in the state. In essence, our companies would not be able to sell credits received on qualified production expenditures at the current rate of return.

Connecticut's vibrant television and digital production industry tax credit program and home-based entertainment corporations rely heavily on state corporations' ability to utilize tax credits. The state has encouraged corporations and productions to locate here and long range business planning is rooted in the state's commitment that the current corporate tax structure will endure.

If there is limited tax credit utilization by Connecticut Corporations that purchase those credits from production companies, it will mean productions will not be able to meet anticipated budgets. Therefore, current Connecticut productions may have to relocate to other states with more favorable production incentive programs, resulting in the loss of thousands of jobs and million in economic investment.

Connecticut has made significant, long term investments in the production industry and fought to bring and retain related infrastructure. The television and digital production industry employs nearly 25,000 of the state's residents and $1.7 billion in total wages in Connecticut including indirect jobs and wages. This is a result of investment and job creation as a result of television and digital media production. The numbers speak for themselves:

- Nearly 8,000 people are directly employed by digital and television industry in Connecticut, including 2,545 production related jobs. Connecticut is the home to many successful television series; Peoples Court, Jerry Springer, Maury and the Steve Wilkos Show.

- There are more than 1,300 employed in television and digital production related businesses in Connecticut, included 1,011 production related companies.

Clearly this production tax incentive program spawned new infrastructure, capital investments and job creation, which has provided Connecticut with a stable and reliable economic engine.

Another provision of concern in SB No. 946 is the continuation of the limitations enacted in 2013 in connection with the production incentive program, which will keep Connecticut from realizing its full potential as a production hub. Section 7 of SB No. 946, would maintain the current limitation on amount of tax credits that may be used against the insurance premium tax liability. This limitation over the past two years has hampered the ability of the tax credit sales and transfers keeping several productions from considering Connecticut as a production location.

It is important to not lose sight of the hard television and digital productions. The jobs are well paying, and diverse. Jobs range from carpenters, scenic designers, electricians, production staff, actors, bookkeepers and hair stylists. However, the employment and investment go well beyond those direct employees.

As economic engines for community growth and catalysts for local economic development the neighborhoods around sustainable productions are filled with suppliers, lumber yards, and hardware stores, caterers, trucking companies all of whom employ Connecticut residents and pump money back into the Connecticut economy.

But just as quickly as the tax credit program encouraged productions to come and stay in Connecticut the new and continued limitations will cause them to shutter and or relocate or not even consider production in Connecticut at all.

We are grateful to the legislature and the Governor for their vision in creating the production tax credit program, and cultivating an industry that brings thousands of jobs and millions of dollars in economic activity to the state.

We urge the legislature and the Governor to reject these proposed limitations in the Governor's Revenue Bill 946 to maintain a competitive corporate tax climate as well as a competitive tax credit program. We welcome the opportunity to work with you, this Committee, the Governor and the legislature on amendments to the program, which will address the State's fiscal concerns, build upon the successes of the past and ensure a stable corporate tax environment.

We respectfully request the Committee to reject these provisions mentioned above to keep and grow the motion picture and television industry as a vibrant component of the state's economy.